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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

November 9, 1998

**BY HAND DELIVERY**

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

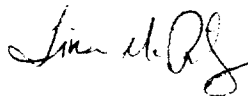
Re: Written Ex Parte Presentation -  
CC Docket No. 96-45

Dear Ms. Salas:

Puerto Rico Telephone Company ("PRTC") hereby provides notice of written ex parte presentations in the above-referenced proceeding. The presentations were made in the form of the attached letter, which was sent to the Joint Board members and staff.

Two copies of PRTC's written presentation are submitted with this letter pursuant to Section 1.1206(b)(1) of the Commission's Rules, 47 C.F.R. § 1.1206(b)(1).

Sincerely,



Tina M. Pidgeon

Enclosures

cc: Attached service list

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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Washington, D.C. 20554

The Honorable Gloria Tristani  
Commissioner  
Federal Communications  
Commission  
1919 M St., N.W., Room 826  
Washington, D.C. 20554

The Honorable Patrick H. Wood, III  
Commissioner  
Texas Public Utility Commission  
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The Honorable Julia Johnson  
State Chair, Chairman  
Florida Public Service  
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The Honorable David Baker  
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The Honorable Laska Schoenfelder  
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The Honorable Harold Furchtgott-Roth  
Commissioner  
Federal Communications  
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Washington, D.C. 20554

The Honorable Martha S. Hogerty  
Missouri Office of Public Council  
301 West High Street, Suite 250  
Truman Building  
Jefferson City, Missouri 65102

Re: Federal-State Joint Board on Universal Service (CC Docket No. 96-45): Issues  
Referred to the Joint Board

Dear Members of the Joint Board:

The Joint Board currently has before it a number of significant issues related to the preservation and advancement of universal service. Most significant to Puerto Rico Telephone Company ("PRTC") are the issues discussed in your recent Joint Board meeting under the heading "Making subsidies explicit, pursuant to the 1996 Act, and 'hold harmless'." Implementation of a fund consistent with either principle -- making subsidies explicit and/or ensuring that a state does not lose current universal service funding -- requires that the distribution methodology not reduce or eliminate current support. As PRTC has expressed before in its filings in this proceeding, the modeling approach, as currently formulated, will virtually eliminate current universal support for Puerto Rico.

Federal-State Joint Board

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PRTC has proposed a solution to this devastating outcome that is consistent with the law, with the goals of universal service, and with the "hold harmless" concept being considered by the Joint Board. PRTC has proposed that, as a carrier serving an insular area, it not be subject to the proxy model methodology until the rural carriers are.<sup>1</sup> The current universal service need projected under either the HAI 5.0 or BCPM 3.0 demonstrates that neither model fairly or accurately predicts the cost of providing service in Puerto Rico.<sup>2</sup> Based on 1998 projections, PRTC could receive approximately \$146 million in combined high cost and long term support.<sup>3</sup> The total universal service support predicted by BCPM 3.0 is \$ 37,055,971, and by HAI 5.0 it is \$ 685,021. Considering the current federal commitment to fund 25 percent of that amount, universal support to Puerto Rico will be reduced to less than one-tenth (BCPM) or one-thousandth (HAI) of the current amount. By its proposal, PRTC is not requesting to be classified as a "rural carrier."<sup>4</sup> PRTC simply is requesting to maintain universal service support, as defined by high cost and long term support needs, at its current level for a defined period of time. This proposal is supported by the Telecommunications Regulatory Board of Puerto Rico, as well as other carriers serving the island.<sup>5</sup>

Although many states can safely proclaim that universal service has, for all practical purposes, been achieved, the same cannot be said for Puerto Rico. Reducing universal support to the model-generated levels would be devastating for the island, where service penetration has only recently reached 76 percent. The current requirement that all federal support be applied to offset the interstate revenue requirement would be equally devastating, by removing a significant

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<sup>1</sup> See 47 U.S.C. § 254(b)(3) (establishing principle that "[c]onsumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas" should have access to services of comparable quality and price). PRTC notes that if the model methodology is suspended or reconsidered, it still supports application of the "hold harmless" principle.

<sup>2</sup> Although the Commission recently adopted a model platform, it is not populated with Puerto Rico data, so results using the HCPM are not available at this time.

<sup>3</sup> Estimate based on USAC Second Quarter Report (1998).

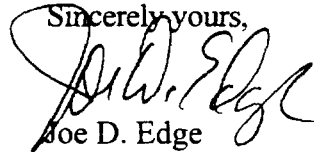
<sup>4</sup> In this regard, PRTC is not requesting eligibility for DEM weighting, in which it does not participate.

<sup>5</sup> These carriers, however, have requested that PRTC be subject to certain conditions as part of the proposal. PRTC has opposed these conditions, as unprecedented and unwarranted.

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contribution to reductions in local rates.<sup>6</sup> PRTC also urges the Joint Board to recommend lifting this restriction from federal universal service support.

As the Joint Board considers the important universal service issues before it, PRTC urges the adoption or endorsement of the PRTC proposal as a practical enactment of the "hold harmless" principle. If you have any questions about PRTC's proposal, please contact me or Tina Pidgeon at (202) 842-8812.

Sincerely yours,  
  
Joe D. Edge

cc: Magalie Roman Salas, Secretary  
Joint Board Staff

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<sup>6</sup> See 47 U.S.C. § 54.7.

## CERTIFICATE OF SERVICE

I, Dottie E. Holman, do hereby certify that a copy of the foregoing was sent by hand-delivery or Federal Express, as indicated, this 9<sup>th</sup> day of November, 1998, to the following:

The Honorable Susan Ness, Chair  
Commissioner  
Federal Communications Commission  
1919 M Street, N.W., Room 832  
Washington, D.C. 20554

The Honorable Harold Furchtgott-Roth  
Commissioner  
Federal Communications Commission  
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The Honorable Gloria Tristani  
Commissioner  
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State Chair  
Chairman  
Florida Public Service Commission  
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The Honorable David Baker\*  
Commissioner  
Georgia Public Service Commission  
244 Washington Street, S.W.  
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The Honorable Laska Schoenfelder\*  
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South Dakota Public Utilities Commission  
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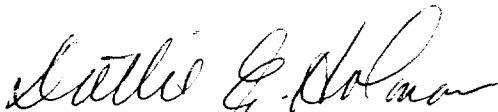
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